

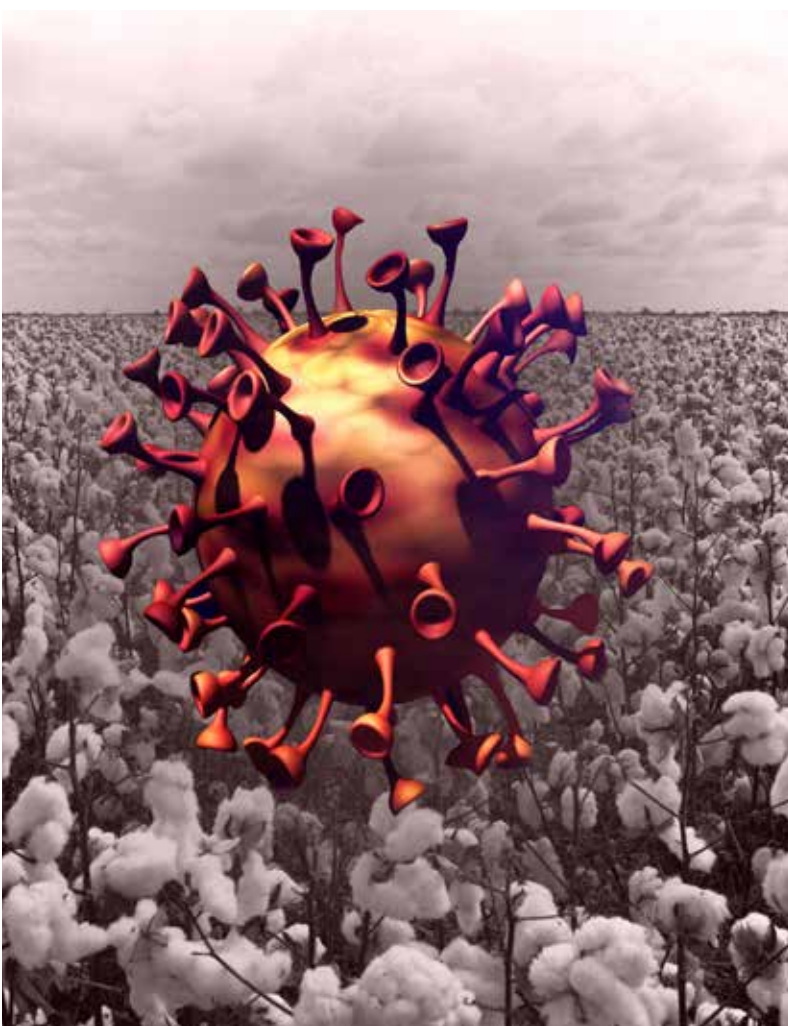


# The ICAC Recorder

International Cotton Advisory Committee

**Special Issue**  
POTENTIAL IMPACTS OF  
**COVID-19**  
ON THE COTTON SECTOR

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## Potential Impacts of COVID-19 on African Cotton Sectors

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### The current situation of COVID-19 in Africa

The African Centre for Disease Control and Prevention statistics and data provide clear evidence indicating an expanding trend in the number of COVID-19 cases across the continent. The first case was reported in Egypt on 14<sup>th</sup> February 2020. Two months later, by 14<sup>th</sup> April, the number of cases increased beyond 15,000 across 52 countries. The number of reported cases has now increased almost 8-fold, surpassing 121,000 on 5<sup>th</sup> June 2020. African COVID-19 cases represent less than 1.8% of the global infection and less than 0.7% deaths, while Africa has 17% of the global population. Some believe that high temperatures, a preponderance of youth, limited population movement between countries may explain the relatively low infection rate. However, in comparison to the global situation, the African data has the potential to create a dangerous false sense of "safety" and a number of factors must be taken into account:

- Capacities to test and report are limited by both resources and access to significant portions of the populations;
- Internationally recognised measures to reduce/slow the spread such as increased personal hygiene and "social distancing" measures are frequently not practically possible; and
- Significant numbers of the population are at even greater COVID-19 risk due to existing health challenges including HIV Aids, Tuberculosis and Malaria, while these also have potential to distort or "mask" identification and reporting of COVID-19.

Most countries have implemented restrictions on movement and gatherings, particularly those limiting the potential introduction of additional new cases through regional or international travel. Borders across the continent to a large extent remain closed, passenger flights have been prohibited and many countries have banned the movement of people between urban and rural areas. Other restrictions and guidance such as night curfews, closure of public places such as schools and places of worship, and limited operation of public transport are also in effect.

## Impacts on African economies

According to the United Nations Conference on Trade and Development (UNCTAD), the global recession due to the COVID-19 pandemic threatens African economies through falling commodity prices and reduced international demand. This situation is worsened by the sharp decline in processing capacity in highly industrialised countries (United States, China, Europe, etc.). This threat is all the more important as African economies suffer from a lack of diversification. For example, in West Africa, countries such as Mali and Burkina Faso are heavily dependent on agricultural exports such as cotton. Cotton is an important source of foreign currency for several African countries and therefore the reduced prices and low demand may continue to impact national reserves for several years.

Understandably the immediate focus of continental, regional and national governments has been on the potential health implications of COVID-19 and the possible mitigating measures that can be applied. Gradually the economic impacts, including those on individuals and businesses have started to be addressed. Several nations have promulgated exemption and/or deferral on a variety of taxes including import duties, whilst central banks have reduced interest rates and provided liquidity to allow commercial banks to defer payment of loans. In some countries, Governments are providing partial or full relief on the costs of water and/or electricity. Increasingly, tools for economic stimulus including support for key sectors, private businesses and the self-employed are under consideration. At the end of March the Prime Minister of Côte d'Ivoire announced a plan to support the national economy against the spread of the coronavirus. This plan aims to preserve the production tool and employment and prepare for a rapid resumption of activities at the end of the pandemic. It includes an allocation of 300 billion CFA francs (USD 495 million) for the agricultural sector, including 250 billion CFA francs (USD 412 million) for the main agricultural sectors, notably cashew, cotton, rubber, palm oil, cocoa and coffee. In Mali, according to the Financial Afrik website, the government says it is going to maintain a subsidy of 10 billion FCFA (USD 16 million) for cotton farming. The Commodafrica site reports that agricultural measures are also planned in Togo and Burkina Faso with a potential FCFA 100 billion (USD 160 million) stimulus package.

## Impacts on African cotton producers

In Africa, cotton is mainly produced by smallholder farmers, who also produce food and other crops. Disruption of smallholder agricultural production and/or market access by the pandemic will not only affect farmer incomes but will also have a significant impact on food security both within communities and on a national scale. Cotton is usually sold by producers to cotton companies, who also supply inputs and provide extension services during the sowing

and growing season. In most countries, an indicative price payable to producers for seed cotton is negotiated between stakeholders before the start of the crop season but it is also frequently linked to international price indicators.



Figure 1. A cotton field in Africa at harvesting stage

In countries of the southern hemisphere, including Zambia, Tanzania, Mozambique and Malawi harvesting has commenced or is about to commence. Current national restrictions in these countries have not been affecting access between cotton companies and farmers significantly, but this may not hold true for processes that operate through the full harvest and delivery to ginning factories. In these countries, the impact of record low international cotton prices will have negative consequences on the incomes of both farmers and cotton companies.

In countries of the northern hemisphere including Benin, Mali, Burkina Faso, Côte d'Ivoire, Cameroon, Nigeria and Chad, field preparation and sowings began in mid-May. Although seeds are generally available, the availability of, particularly, imported inputs such as fertilisers and chemicals is a major concern in many countries. In these countries, the seed cotton purchase price negotiated for the 2020-2021 crop season will be revised downwards. Thus, in Mali, it will fall by almost 30%, to 200 CFA Francs (USD 0.33) per kilogram of seed cotton against 275 CFA Francs (USD 0.45) in 2019-2020. In Cameroon, where the purchase price was 255 CFA francs (USD 0.42) in 2019-2020, this drop could reach about 12%. A decline is also expected in Benin, and many other West and Central African countries.

## Impacts on African cotton companies and traders

The cotton trade is currently in stand-by mode, with shipments of pre-sold lint on hold. The COVID crisis, which has brought the international textile and value chain to



a virtual standstill, has led to a drastic drop in fibre consumption due the cancellation of orders. This has resulted in accumulation of large stocks in most cotton producing countries. It is not as yet clear as to when the releases from containment will allow stocks to be absorbed. Trading is therefore caught in a pincer movement between producing countries that have to liquidate their bales and the consuming customer countries who do not want to take delivery.



Figure 2. Cotton seed-oil processing in Africa

The CommodityAfrica website reported on 28<sup>th</sup> May that in Côte d'Ivoire, cotton fibre exports had fallen by 25.1% in the first quarter of 2020, compared to the same period in 2019. The cumulative volumes shipped were 99,068 t against 132,350 t in the previous year. In its 1<sup>st</sup> April raw materials column, Radio France Internationale (RFI) quotes a trader: *"There is cotton that should already have been on the water and is still in Africa [...]".* This cotton will therefore have to be stored *"as the rainy season approaches"* in West and Central Africa. This storage at the origin will incur additional costs. RFI points out: *"Some trading players could be forced out of business as the shock is so strong on the futures market in African countries that have not sold all their crops. Cotton companies should be forced to lower prices to producers for the next season. The world price of the fibre is no longer sufficient to cover its cost price"*. (Figure 3)

In the meantime, cotton-producing countries in the northern hemisphere, which are completing the ginning of the 2019-2020 cropping season, are directly confronted with the drop in international demand. The consequences have presented significant cash flow difficulties for the sectors, even if part of the sale was concluded at term, before the COVID crisis. Cotton-producing countries in the southern hemisphere have barely begun ginning, and, with no clear view of the medium term economic impacts of the pandemic, face significant uncertainty and challenges regarding both demand and price going forward.



Figure 3. A ginning and pressing factory in Africa

## Impacts on African cotton production

Cotton producers generally choose to grow crops based on market prices of the preceding season. A drop in the market price of seed-cotton is generally followed by a concomitant drop of interest of producers towards cotton growing. Farmers may then direct all or part of their fields towards other crops, considered less labour intensive, and/or more profitable under the prevalent conditions. In addition, the availability of inputs (fertilisers, pesticides, seeds) that are critical for cotton production could be reduced in some countries, which could influence their crop-preference decisions. Finally, if the pandemic continues its spread in Africa, it could affect the availability of labour to carry out fieldwork from sowing to harvesting.

A reduction in African cotton production can therefore be expected during the 2020-2021 cropping season. In Benin, the production target of one million tonnes of seedcotton will be difficult to achieve. The other main African cotton-producing countries (Mali, Burkina Faso, Côte d'Ivoire, Cameroon, Tanzania, Zimbabwe, etc.) are also likely to experience a decline.

As alternative cash crops to cotton are not very numerous in most cotton regions, there is a concern that the decline in the procurement price of seed-cotton will have a direct impact on household incomes and food security. Moreover, closed borders and limited market access could lead to a disruption of trade:

- Increase the cost of staple foodstuffs and possibly lead to shortages;
- Limit access to essential seasonal inputs such as seeds, fertilisers and pesticides; and
- Delaying or preventing the harvest and/or sale of crops, especially cotton.



Figure 4. Small-scale handloom garments -Made in Africa



Figure 5. Handloom weaver in Africa

Thus, the impact of the pandemic on world markets could have serious consequences for farmers and agribusinesses in Africa. Even if, compared to other perishable commodity chains, cotton is a storable product, which, as Max Havelaar France reminds us, constitutes a safety net.

## The future

The pandemic has focused attention. However, it will soon be necessary to return to other important issues such as locust infestation, climate change, social inequalities or insecurity linked to the opportunistic expansion of fundamentalist groups.

Beyond the sadness of the situation for numerous small and a few bigger cotton actors, the African cotton countries will have to draw lessons from this

crisis. Because they cannot commit as many resources to support their population and preserve their economy, they are more susceptible to the effects of international crises. Diversity, solidarity and local development are among the key factors to make these countries more resilient - diversity in products and markets, solidarity among all the actors of the commodity chain, and increased shares of the global value at each stage of cotton chain, at the local and national levels.

Based on these principles, CIRAD and ACF are engaged in a number of activities, and, with the support of the German Development and GIZ, are putting in place a project called Cotton Seed Improvement for Africa (CSI4A). It aims to contribute to securing the production of good quality cottonseed for the continent.



Figure 5a. Handloom weaver in Africa